

1           CHAIRPERSON JAMES:       With that, I will remind  
2 Commissioners this is very informal. Please?

3           MR. CASHEN:    I'll yield to Margaret. She covered  
4 everything for me, Commissioner. Thank you

5           COMMISSIONER MOORE: Not being a racer, do the owners  
6 of the horses like it? Does a horse owner like win, place, or  
7 show? Does the person or the corporation who owns that horse get  
8 paid in relation of whether they win, place, or show in expense  
9 money or how is it? What are we talking about?

10          MR. FOREMAN:   The horse owner owns the purse. And the  
11 purse is the prize winning that is advertised by the racetrack  
12 for each particular race. It might be \$20,000. It might be  
13 \$5,000. It might be a half a million dollars.

14          The winning horse typically gets 60 percent of the  
15 advertised purse. And that's paid down 60 percent and then  
16 percentages from second, third, fourth. Some states pay back to  
17 last.

18          COMMISSIONER MOORE: What about if he comes in tenth?  
19 Does he get anything?

20          MR. FOREMAN:   In some states, he does. In Maryland,  
21 for example, every horse participates in a race. The owner  
22 collects some money. It's an incentive to help bring these  
23 horses to the racetrack.

24          COMMISSIONER MOORE: Well, that's what I --

25          MR. FOREMAN:   And that's important because that's the  
26 money that flows back through the network of people associated

1 with the horse. It keeps them in business and encourages the  
2 owner to come back and want to buy another horse.

3 COMMISSIONER MOORE: That's correct. That's why I --

4 MR. CASHEN: Dr. Moore, that's true with dogs also.  
5 It's true that dogs racing in a particular greyhound race receive  
6 a part of the purse.

7 COMMISSIONER MOORE: Good.

8 MR. PUTSAVAGE: One last point. That stated amount in  
9 those distributions, depending on what place you finish, is  
10 totally independent of the odds or the amount wagered on the  
11 race.

12 COMMISSIONER DOBSON: If you recognize the  
13 responsibility to help support treatment programs and to assist  
14 those who are pathologically addicted, what would be the  
15 mechanism for that? How should that be supported?

16 MR. HICKEY: You mean is there one organization that  
17 you could go to?

18 COMMISSIONER DOBSON: Yes. Is there an intermediary  
19 that would provide that money? Does that go directly to the  
20 Gamblers Anonymous? How would you see that supported?

21 MR. HICKEY: Well, there is support from tracks and  
22 groups at the state level. At the national level, this is a very  
23 individualized industry. I mean, for example, the American Horse  
24 Council has 180 organizational members, but perhaps 30 or 40 of  
25 them are involved in racing.

1           The National Thoroughbred Racing Association is  
2 exclusively thoroughbred racing, although they have some  
3 relationships with standard-bred and quarter-horse racing.

4           In terms of trying to get one group to collect or to  
5 work with, I would suggest that the NTRA might be that group,  
6 although I can't necessarily speak. We're basically organized at  
7 the state level, rather than the federal level, for the most  
8 part. But in terms of the one national group, I would think NTRA  
9 would be the one. And then they would have to contact the  
10 quarter-horse and standard-bred racing parts.

11           MR. PUTSAVAGE: Let me also respond in a different way.  
12 I think you were also touching on ultimately what's the treatment  
13 model, what is the organizational model that would provide  
14 treatment. And at least at the tracks that have begun to  
15 approach this, it's starting inward and working out. So it is in  
16 the form of an employee assistance program.

17           I believe -- and I will check this fact -- that  
18 Churchill Downs has followed what I think is something of the  
19 role of the casino industry in providing insurance coverage.

20           I think there are other avenues. Whether it's  
21 not-for-profits, whether it's for-profits, I think there might be  
22 some need to recognize the individual states' roles in this  
23 because every state that authorizes pari-mutuel wagering garners  
24 significant revenue directly from that.

25           COMMISSIONER DOBSON: I would like to extend this  
26 question to my own colleagues in the industry here. With regard  
27 to the anxiety that I've heard expressed that if this is not set

1 up right, the industry will begin to call the tune for or own the  
2 treatment process. If there's not some mechanism, some  
3 intermediary, some way of supporting it without the one who is --  
4 you know, paying the piper is calling the tune.

5 MR. CASHEN: Dr. Dobson, I just answered a question  
6 with respect to Iowa, which is advanced in the area of  
7 pari-mutuel racing in combined alternative gaming with casinos  
8 attached.

9 They have a fund which is paid to the state, and the  
10 state administers a particular fund for treatment, care, and  
11 education of problem gambling. In that instance, both of the  
12 tracks, the dog tracks, in Iowa contribute substantially to that  
13 fund, which is then out of their hands and administered by a  
14 state fund to deal specifically with the problem gaming.

15 COMMISSIONER DOBSON: Do you recommend that on the  
16 basis of how you've seen that work?

17 MR. CASHEN: I don't know how -- I think that's a  
18 question of how each state looks at their situation. I've just  
19 left and returned from an annual meeting, where the track owners  
20 and operators have all agreed to undertake an educational program  
21 to their managers of dealing, recognizing, and coping with  
22 problem gaming. And I think that is a start and a good start as  
23 far as the individual track.

24 With respect to what the states do with regard to the  
25 effectiveness, the success they're having, I think that is an  
26 area that should be explored.

1           COMMISSIONER DOBSON: Madam Chairman, this is an issue  
2 I think our Commission really ought to deal with. We've talked a  
3 lot about it, but we haven't really addressed what that mechanism  
4 is. And I wouldn't want to end the Commission without some  
5 recommendations in that regard.

6           CHAIRPERSON JAMES: What would you recommend?

7           COMMISSIONER DOBSON: Well, that's why I asked the  
8 question. I'm not sure. I don't know. That's why I also asked  
9 how Harry and Bill and others would recommend it.

10          COMMISSIONER BIBLE: Do any of the states allocate a  
11 portion of the takeout for treatment programs? Is that the  
12 mechanism in Iowa?

13          MR. CASHEN: I don't know the answer to that, Mr.  
14 Bible. I know that there is an assessed fee. And how they  
15 assess that fee, I'm not sure.

16          I know that in Connecticut, the pari-mutuel track,  
17 which is right next to the two Indian casinos, they are barely  
18 alive. If somebody went and did a patron survey at that track,  
19 they would have had --

20          COMMISSIONER BIBLE: That wouldn't be the case, but at  
21 least when I've seen takeout breakdowns by state, you usually see  
22 30 or 40 items arrayed where the agricultural association gets so  
23 much and the local county fair district gets so much and things  
24 of that nature.

25          Are treatment programs allocated in any jurisdiction as  
26 far as that takeout?

1           MR. FOREMAN: I believe, Commissioner, that Delaware  
2 may allocate a portion of the revenues as part of the legislation  
3 which legalized --

4           COMMISSIONER BIBLE: And that would go to like a  
5 council of compulsive gambling or some similar entity?

6           MR. FOREMAN: Yes, I believe so.

7           MR. CASHEN: I think they --

8           COMMISSIONER BIBLE: That would be the only state that  
9 would do it, the only one that I'm aware of.

10          MR. CASHEN: I think that was the directive, any state  
11 where they've authorized alternative forms of gaming, such as  
12 Delaware and West Virginia, that in return for the alternative  
13 forms of gaming at the pari-mutuel site --

14          COMMISSIONER BIBLE: So you're saying that was a  
15 negotiation with the legislature. The legislature agreed to let  
16 them do other forms of gambling in return for allocation of a  
17 portion of the takeout for --

18          MR. CASHEN: Among other things, education and  
19 other civic programs that the state has identified as priorities.

20          CHAIRPERSON JAMES: But how do you answer Dr. Dobson's  
21 specific question in terms of ensuring the integrity of those  
22 treatment programs if they're not controlled or run by the  
23 industry or states? Recommendations?

24          MR. PUTSAVAGE: I'll offer one more observation there.  
25 I think one avenue that -- and I can't speak to exactly where  
26 this implementation stands, but several states have looked to  
27 their substance abuse offices to become the conduit for funding

1 treatment providers, whether they be not for profit or I guess  
2 conceivably for profit as well.

3 I'd offer the suggestion you also consider the dynamic  
4 tension that you don't want to create a monopoly provider either.  
5 While you have concerns about independence, I think that you  
6 would have concerns about setting up a statutory monopoly  
7 provider.

8 CHAIRPERSON JAMES: Any recommendations for models?

9 COMMISSIONER McCARTHY: Just some information  
10 generally, Madam Chair. The Research Subcommittee is gathering  
11 information with the help of the National Council on Problem  
12 Gambling as to the kinds of programs that exist across the  
13 country in all states and which sectors of the gambling industry  
14 are involved in helping to fund some of those.

15 So we have very preliminary interests. It's not  
16 complete. So I hesitate to say that I don't see much evidence  
17 here that the horse-racing or dog-racing industry is contributing  
18 to the availability of treatment programs. Again, this is an  
19 incomplete list. So there may be something out there that's  
20 still being developed. When we have it, we'll share that with  
21 the entire Commission.

22 In addition to that, in the casino questionnaire that  
23 went out, -- and we hope to give a partial report on that Friday  
24 afternoon -- we asked a number of questions about funding  
25 programs. And that will be informative.

26 In addition, as Mr. Putsavage just indicated, I asked  
27 Dr. Curtis Barrett, who is here, -- there he is -- a series of

1 questions that I think we could work on just a little bit more  
2 and told him that we had asked the same questions of the casino  
3 industry.

4 So we'll compile all of that information and give it to  
5 the final Report Subcommittee. I think we can make something out  
6 of that.

7 CHAIRPERSON JAMES: Yes, please? We have a --

8 MS. PURZKOFF: Excuse me for butting in like this. I'm  
9 Lisa Purzkoff.

10 CHAIRPERSON JAMES: This is not butting in. This is  
11 well within procedures.

12 MS. PURZKOFF: I'm Lisa Purzkoff. People can usually  
13 hear me. I'm with the Delaware Council on Gambling Problems.  
14 And we have some legislation which could be used as a model.

15 I have asked my office to fax down one page having to  
16 do with how pathological gambling is dealt with, which is  
17 probably sitting at the hotel now, and to FedEx the entire piece  
18 of legislation, which will be here before 10:00 o'clock tomorrow  
19 morning. And I was going to get that to the Commissioners,  
20 frankly, in any case.

21 CHAIRPERSON JAMES: Well, when it's available, why  
22 don't you let us know? And we'll try to make it available to the  
23 entire Commission.

24 MS. PURZKOFF: Meanwhile, if you have questions of that  
25 sort, I would be happy to try to --

26 CHAIRPERSON JAMES: Could you tell us very briefly what  
27 that model looks like?



1 MS. PURZKOFF: Yes. This is legislation that does not  
2 specifically mention the horse-racing industry except inasmuch as  
3 slot machines benefit the persons and so forth as you have  
4 referred to.

5 The wording says, I believe, \$100,000 or one percent,  
6 whichever is greater, shall be set aside from the state's share  
7 of the gross profits for programs for education and treatment of  
8 pathological gamblers and their families.

9 CHAIRPERSON JAMES: And who controls the \$100,000?

10 MS. PURZKOFF: It goes to the Department of Health and  
11 Social Services and then to the Division of Alcoholism and Drug  
12 Abuse and Mental Health. And then they control the RFP process.

13 As it happens, we happen at the council in Delaware to  
14 have most of the money because we were the only ones who sort of  
15 knew about the field when this whole thing came up.

16 Other states, such as Iowa, have handled it very  
17 differently.

18 CHAIRPERSON JAMES: Does the state take a cut of that  
19 for administering the 100,000?

20 MS. PURZKOFF: Over my dead body.

21 CHAIRPERSON JAMES: Thank you very much.

22 MS. PURZKOFF: At least not that I know of yet, but I  
23 shouldn't have said that. I'm sorry.

24 COMMISSIONER DOBSON: The money, then, does not come  
25 from the industry but comes from the state's portion of that?

26 MS. PURZKOFF: Yes, and that was made very, very clear.  
27 That was the only basis on which they could agree to get anything

1 at all for pathological gambling, that it would not come from the  
2 track's share of the profit.

3 COMMISSIONER DOBSON: Who is "they"?

4 MS. PURZKOFF: They.

5 COMMISSIONER DOBSON: They, the state?

6 MS. PURZKOFF: The state and the -- oh, the State of  
7 Delaware, the legislators and the -- it was not a referendum in  
8 Delaware. This is a legislative issue.

9 COMMISSIONER BIBLE: And this is a proposal?

10 MS. PURZKOFF: It was a horse-racing industry as the  
11 legislature.

12 COMMISSIONER BIBLE: So the horse-racing industry said:  
13 We'll support the programs as long as you take it out of the  
14 state's share but don't increase our share?

15 MS. PURZKOFF: I don't think they said it in quite  
16 those words. The message was fairly clear. Of course, this was  
17 all administered through the Lottery Office just to make it --

18 CHAIRPERSON JAMES: And how much is the lottery kicking  
19 in for this?

20 MS. PURZKOFF: It's part of the venue for the lottery.  
21 And I guess it would depend upon who you would ask. I would tell  
22 you nothing, that all of the money that comes for pathological  
23 gamblers and their family comes from the state share of the  
24 profits from slot machine gambling.

25 CHAIRPERSON JAMES: Well, that is one model.

26 MS. PURZKOFF: I probably should be more clear.

1           CHAIRPERSON JAMES: No, not at all. I think it's very  
2 clear.

3           COMMISSIONER BIBLE: Now, is this law at this point?

4           CHAIRPERSON JAMES: No.

5           MS. PURZKOFF: Oh, yes, 1994. It took a couple of  
6 years to filter down because they had to get up and running. So  
7 we have about two years worth of experience with this, which is  
8 not much.

9           CHAIRPERSON JAMES: Interesting.

10          COMMISSIONER LEONE: I'm going to shift topics. So if  
11 anybody else wants to talk more about the medical problems as  
12 they relate to --

13          COMMISSIONER DOBSON: Other than that we have not heard  
14 from the casino industry here. And I do hope at some point you  
15 all will react.

16          CHAIRPERSON JAMES: Jump right in.

17          COMMISSIONER LANNI: Sure. I have been on record, Jim,  
18 for a long period of time that my belief is that I would like to  
19 see and my own personal opinion is that this Commission hopefully  
20 would support my view that we would make a strong recommendation  
21 to the several states in which one form of gaming exists or  
22 another.

23          And that would include the pari-mutuel. It would  
24 include commercial casinos. It would include lotteries. And,  
25 frankly, I would see that we would make a recommendation to the  
26 Bureau of Indian Affairs, the Secretary of the Interior that the  
27 Native American casino operations also participate in some form

1 of the existing privilege tax that exists, which is above and  
2 beyond the normal taxes in the individual states because in  
3 pari-mutuel, you pay a pari-mutuel tax.

4 Then you pay an income tax if you have a state that  
5 charges state income taxes. You obviously pay federal income  
6 tax. So the portion of that privilege tax will be designated and  
7 to the termination appropriate by the individual states towards  
8 problem and pathological gambling.

9 I think if you leave it in the hands of the industries  
10 individually and the companies within those industries, you're  
11 not going to get the necessary response.

12 With all due respect to Mr. Putsavage, I would live  
13 with the monopoly to be sure that there were sufficient funds  
14 going into this particular effort. That's my belief.

15 COMMISSIONER DOBSON: Madam Chairman, again we're down  
16 to the last two meetings after this one. I would favor a  
17 subcommittee to bring a recommendation to this Committee. This  
18 issue is so important it's one of I think the --

19 CHAIRPERSON JAMES: That would be your subcommittee.  
20 You're on it.

21 COMMISSIONER McCARTHY: You're on it, Jim.

22 COMMISSIONER DOBSON: I don't want it.

23 CHAIRPERSON JAMES: No, no. You already have it. That  
24 is the task of the Research Subcommittee.

25 COMMISSIONER McCARTHY: The Research Subcommittee.

26 CHAIRPERSON JAMES: Yes. So you're already on it.

1 COMMISSIONER DOBSON: To recommend specifically --

2 CHAIRPERSON JAMES: Yes, yes.

3 COMMISSIONER DOBSON: -- what our conclusions should be  
4 in this regard? Okay.

5 COMMISSIONER McCARTHY: And I thank Commissioner Lanni  
6 for his comments.

7 MR. PUTSAVAGE: If I might just respond a second,  
8 Commissioner Lanni, I only meant in the sense that you not arrive  
9 at an outcome where you have the actual single treatment provider  
10 that is the sole designated -- not that you have a sole avenue  
11 for funding, but the outcome.

12 COMMISSIONER LANNI: There is validity to that comment.  
13 There's no doubt about it. But I happen to believe that it  
14 should be left to the several states to make their own  
15 determination because the issue is much broader in a state like  
16 Nevada, which has far more extensive gaming than other states;  
17 say, Alaska, for example.

18 CHAIRPERSON JAMES: What do you think about following  
19 your model and then having it go to a particular state agency to  
20 let out on an RFP? What do you think about that particular  
21 model?

22 COMMISSIONER LANNI: Again, I guess my own view is that  
23 I think we could make a strong recommendation that the individual  
24 states have to evaluate what's the appropriate manner and  
25 methodology for themselves.

26 COMMISSIONER BIBLE: An RFP for what? An RFP for  
27 identification or for treatment?

1           CHAIRPERSON JAMES: Well, I think what she suggested,  
2 to request the funds for educational purposes and for treatment.

3           MS. PURZKOFF: That varies a great deal from state to  
4 state. In that particular case, the initial RFP was issued  
5 requiring the respondents to address both education, public  
6 information, help line, and treatment.

7           The reason for that was an attempt to create a  
8 situation which has happened in other states, where all of the  
9 money goes into treatment without the preparatory work of the  
10 specialized training needed of treatment providers to identify  
11 and treat this illness and without the help line provision,  
12 without the links for providing the public in need with the  
13 treatment that they do need.

14           COMMISSIONER BIBLE: So you secured, then, the help  
15 line and the treatment component?

16           MS. PURZKOFF: Yes, yes. It's a little unusual. We  
17 subcontract the treatment component to trained treatment  
18 providers once that qualifies to the national council  
19 certification criteria. We subcontract that because, of course,  
20 we're not in the treatment business. We're in the advocacy  
21 business. But that's how it happened in Delaware.

22           I think it is nowhere else set up like that. Some  
23 states all the money goes into treatment. I think that is how it  
24 happened in Texas, a great deal of money, it happened in  
25 Massachusetts, it happened in other cases in which we were a  
26 little unfortunate because the trained professionals were not

1 prepared to handle this problem. And there was no mechanism to  
2 let the people in need know about it.

3 COMMISSIONER BIBLE: And the state I assume in a lot of  
4 cases makes the decision or in almost all cases is going to make  
5 the decision whether they're going to provide the service  
6 themselves to their own professional employees or they're going  
7 to buy it from a third party.

8 MS. PURZKOFF: Exactly. And Iowa did that. Minnesota  
9 has a pretty good model. In Delaware, we're talking now about  
10 shifting off the treatment piece to do a separate RFP.

11 COMMISSIONER BIBLE: Now, we're not intending, are we,  
12 to make recommendation as to how the model should be developed?

13 CHAIRPERSON JAMES: No, I don't think so, but it was --

14 COMMISSIONER BIBLE: We don't have any testimony,  
15 really, to --

16 CHAIRPERSON JAMES: And we don't have anything that can  
17 tell us in terms of which of these have the best success rates or  
18 any of that.

19 COMMISSIONER BIBLE: Any state is going to want to do  
20 it differently.

21 CHAIRPERSON JAMES: And, of course, every state will  
22 want to do it their way. But I do think it's important for us to  
23 perhaps give them several different models or suggestions of how  
24 it might work and strongly encourage that they do just that.

25 MR. MODEY: I'm Dan Modey with Prime Meridian. We had  
26 some recent --

1           COMMISSIONER BIBLE:    There's a third party provider  
2 right there.

3           CHAIRPERSON JAMES:    We are not receiving RFPs right  
4 now.

5           MR. MODEY:    I understand recently this letter went out  
6 that separated the development from the hotline from treatment.  
7 And the Office of Management and Budget has a program.   That's  
8 the most recent development.

9           CHAIRPERSON JAMES:    The only cautionary note that I  
10 would throw into the mix is having been in government and I know  
11 that very often if you follow the money -- and if there's money  
12 for treatment people, you come up with 100 different treatment  
13 programs -- we strongly encourage that there be an evaluation  
14 component to determine if they are, in fact, successful because I  
15 suspect that with a recommendation from us, you'll see these  
16 things spring up all over the country and it's just important to  
17 encourage an evaluation component, I think.

18          COMMISSIONER BIBLE:    If you provide money, you're going  
19 to develop a lot of third party providers that are going to at  
20 least undertake treatment programs.

21          CHAIRPERSON JAMES:    Any other discussion points or  
22 questions for this particular panel?   Yes, please?

23          COMMISSIONER LANNI:    Mr. Leone has a --

24          COMMISSIONER LEONE:    This has given me time to reflect  
25 on my comment, and I think I'm going to make it in the later  
26 context.   We discuss some of broad issues this afternoon.

27          CHAIRPERSON JAMES:    Sure.



1           COMMISSIONER LEONE: I don't want to single out this  
2 topic or this group for this framework I think has to be applied  
3 across the board. So I'll let you make up some time.

4           COMMISSIONER LANNI: Hopefully I won't discourage you  
5 from making up time, but I had a couple of questions. Relative  
6 to the issue of account wagering and interstate aspects of  
7 account wagering along with interstate aspects of simulcasting,  
8 is there a unified position right now on the Senator Kyl bill,  
9 which passed one body and failed to complete its work that's  
10 going to be considered, as I understand it, this spring? What's  
11 the deal with that?

12           MR. HICKEY: No.

13           COMMISSIONER LANNI: You're opposed to it?           MR.

14 HICKEY: Oh, no, no, no.

15           COMMISSIONER LANNI: Oh, I see.

16           MR. HICKEY: We are talking among ourselves and with  
17 the members of Congress about that. And I cannot say with  
18 respect to pari-mutuel horse racing there is a unified position  
19 on it.

20           I would like to point out the one thing with respect to  
21 the Kyl bill and all the bills up there, the exceptions that were  
22 provided for pari-mutuel racing in the legislation last year were  
23 intended to allow us just to continue to do what we were already  
24 doing and clarify common pool wagering and that sort of thing.

25           It was not an exception that allowed horse racing to  
26 use the internet. I just want to make that clear.

1           COMMISSIONER BIBLE: If you needed clarification, isn't  
2 it, then, the implication that there may be some question as to  
3 the legality of the operation?

4           MR. HICKEY: Not in my opinion.

5           COMMISSIONER BIBLE: Then why do you need a  
6 clarification?

7           MR. HICKEY: There are some people that think that  
8 common pool wagering is sending information across state lines,  
9 fits within that definition of information, assisting in the  
10 placing of bets or wagers between two states or --

11          COMMISSIONER BIBLE: There is a legal question.

12          MR. HICKEY: Yes.

13          COMMISSIONER BIBLE: Otherwise you wouldn't need a  
14 clarification.

15          MR. HICKEY: That's correct. There is a legal  
16 question, but I was just saying not in my mind.

17          COMMISSIONER BIBLE: I understand where you're coming  
18 from, but you support the clarification.

19          MR. HICKEY: Oh, absolutely, yes.

20          COMMISSIONER BIBLE: There is a question of some other  
21 people.

22          MR. HICKEY: Yes. We support the clarification, yes.

23          COMMISSIONER BIBLE: And at least in terms of the dog  
24 people, they don't have the Horse-Racing Act to rely on.

25          MR. HICKEY: No. And I think everyone supported the  
26 clarification, including Senator Kyl and the members of the House  
27 that had introduced the bill.

1 MS. FEINSTEIN: There is a uniform position that the  
2 clarification with respect to simulcasting and common pool  
3 wagering is a good thing and should be done.

4 And with respect to whether there's a question, 41  
5 states allow horses to do it, 20 states allow dogs to do it. So  
6 to the extent that there's a question, it's the minority point of  
7 view.

8 COMMISSIONER BIBLE: But the dog people want to be  
9 treated like the horse people in terms of common pool.

10 MS. FEINSTEIN: Absolutely.

11 MR. CASHEN: That's correct.

12 COMMISSIONER LANNI: Beyond the issue of clarification,  
13 what, in addition, are you asking for that Senator Kyl's bill  
14 doesn't address?

15 MR. HICKEY: Well, Senator Kyl's bill last year was on  
16 an intrastate basis. We would like to be able to do interstate  
17 wagering in those states that have legalized it and allow it and  
18 want to work together on it. Actually, the House bill did that.

19 COMMISSIONER LANNI: In your written comments that I  
20 think I've read based upon, among other things, the fact that  
21 there are regulatory bodies in each of these states as compared  
22 to offshore internet wagering --

23 MR. HICKEY: That's correct.

24 COMMISSIONER LANNI: -- is one of the arguments.

25 MR. HICKEY: That's correct and under safeguards that  
26 would be put into any legislation.

1           COMMISSIONER BIBLE:   There are provisions in the Kyl  
2 bill that would allow intrastate account wagering?

3           MR. HICKEY:   Last year was intrastate.   The House bill  
4 allowed intrastate, but the Kyl bill is still being written this  
5 year.

6           COMMISSIONER LANNI:   For purposes of disclosure, I  
7 should say also I am a breeder and owner of thoroughbred horses,  
8 a modest one by chance, not by choice.

9           COMMISSIONER WILHELM:   Do you tell your wife the truth  
10 about the feed bill?

11           (Laughter.)

12           COMMISSIONER MOORE:   Hey, John, he falls under the  
13 category of that guy with the \$70,000 salary.

14           COMMISSIONER LANNI:   If I might add, John, actually,  
15 Debbie is also an owner of thoroughbred horses.

16           COMMISSIONER WILHELM:   Does she tell you the truth  
17 about the feed bill?

18           COMMISSIONER LANNI:   I refuse to answer on the grounds  
19 it may tend to incriminate my marriage.

20           COMMISSIONER McCARTHY:   Madam Chair, I wanted to ask  
21 Mr. Foreman just a couple of questions.   As I heard your  
22 testimony, you're here representing the National Thoroughbred  
23 Association.

24           MR. FOREMAN:   Well, I represent the owners and trainers  
25 and the people who work for the owners and trainers throughout  
26 the country.

27           COMMISSIONER McCARTHY:   Okay.

1           MR. FOREMAN: Also, I was identified as a member of the  
2 Board of Directors of the National Thoroughbred Racing  
3 Association.

4           COMMISSIONER LEONE: Let me make sure I heard you  
5 clearly. You said that you believe that each state should allow  
6 any alternate form of gambling to be established at any  
7 racetracks within those states.

8           MR. FOREMAN: I believe the decision as to whether or  
9 not to permit alternative forms of gaming at racetracks should be  
10 reserved to the states.

11          COMMISSIONER LEONE: Well, we have heard in previous  
12 testimony that tracks in five states, I think it was, now have  
13 card rooms or slot machines, tracks in -- I'm not sure of the  
14 number of other states, but it's easily in five or six or seven  
15 states -- are also asking for different forms of casino-like  
16 games on the track property.

17          So as national organizations, you support this trend  
18 toward having not just horse racing but other forms of  
19 casino-type gambling on track properties?

20          MR. FOREMAN: We support the notion that if it is  
21 necessary in a particular venue -- I'm not trying to be cute, but  
22 there are jurisdictions where horsemen would not be in favor of  
23 racetrack --

24          COMMISSIONER LEONE: Well, we did hear some mixed  
25 testimony in Del Mar. But what I'm asking is: What is the  
26 attitude of the national organizations?

1           What I hear so far is that they're getting more and  
2 more in the posture of supporting alternate forms of casino-like  
3 gambling on track properties. Do I read that correctly?

4           MR. FOREMAN: I think, in fairness to your statement,  
5 that I believe the industry is warming to that notion.

6           COMMISSIONER LEONE: We're getting there. We're  
7 getting there.

8           MR. FOREMAN: If the geographics, if the economics, --

9           COMMISSIONER LEONE: Stars are in place.

10          MR. FOREMAN: -- competitive forces dictate that, I  
11 don't think that you're seeing a call for alternative forms of  
12 gaming at racetracks in areas where it may not be necessary. I  
13 think you're seeing it in response to competitive forces in the  
14 Mid-Atlantic region, for example.

15          COMMISSIONER LEONE: I understand the reasoning.

16          MR. FOREMAN: And that is forcing, for example, owners  
17 and trainers and breeders who are passionate about horse racing  
18 and not passionate about alternative forms of gaming and who  
19 would prefer that it not come to rethink the issue.

20          COMMISSIONER LEONE: I'm going to make a comment  
21 because this goes to part of what I was going to talk about this  
22 afternoon. And I don't mean to single out the pari-mutuel  
23 industry or the horsemen.

24          I understand that while people in that industry think  
25 what they're doing is so important to their livelihoods or the  
26 preservation of the industry, that an exception ought to be made  
27 for this or that. And I think people who are in other parts of

1 the gambling world think what they're doing has so many positive  
2 impacts that exceptions should be made.

3 Earlier today when we talked about problem and  
4 pathological gambling and people in transition are at risk or in  
5 Group C, one phenomenon we mentioned was chasing, trying to make  
6 up your losses by chasing. And anybody who has ever played cards  
7 knows about chasing or any other sport or any other gambling  
8 activity.

9 I think we're in great danger in this country of having  
10 everybody from state governments, the Native Americans to the  
11 casino industry to the pari-mutuel industry engaged in a form of  
12 chasing.

13 I need this additional form of gambling to stay  
14 competitive. I need it to preserve the horse farms. I need it  
15 to preserve the jobs in my area. I need it to preserve the  
16 economic development in my area. I need it to compete with  
17 Delaware. I need it to compete with Atlantic City. I need it to  
18 compete with Iowa.

19 We need to chase. And we are developing a compulsive  
20 attachment to gambling. Because of this necessity to chase, the  
21 proliferation -- I need an exception because I have to chase to  
22 stay competitive.

23 I have to chase to get people in my state to buy the  
24 lottery or they're going to go next door and buy really big  
25 lottery tickets or I need these machines in my store or I'm going  
26 to lose business to the store across the river that has these  
27 machines.

1           And personally I view it as a kind of national  
2 psychosis that is underway where everybody wants to chase. And  
3 it is compounded. And here is the problem I think for most of  
4 the people in the industry, by the view that I share that this  
5 ought to be handled at the local level, at the state level, the  
6 state regulations.

7           The trouble is the only way to deal with these chasing,  
8 bet with thy neighbor, compulsive gambling syndromes is with  
9 national legislation. And the reason I raise this now is I think  
10 this Commission has to very strongly be in favor of a national  
11 intervention to stop this process in which everybody, for  
12 perfectly rational reasons -- if I were in one of these  
13 businesses or representing one of these businesses, there are  
14 perfectly rational reasons for us to chase, for us to seek other  
15 ways to stay competitive. And only national restrictions I think  
16 can do that.

17           CHAIRPERSON JAMES: How would you get at that?

18           COMMISSIONER LEONE: Well, I have some ideas. This is  
19 not the appropriate time to do it. I understand. I mean, I find  
20 horses more attractive than many of the people with the exception  
21 of present company I have met in the gambling business. So the  
22 preservation of horses and horse farms is more pleasant than  
23 places lined up with slot machines for me to visit. So I can see  
24 exceptionalism.

25           But when that starts to mean we need everybody to be  
26 able to place bets from home by telephone, the sort of  
27 AT&T-Murdoch conglomerate deal that's working, we need slot



1 machines. We need video poker machines. We need these to  
2 compete so we can save the horses or save the Native Americans or  
3 save the good jobs John is worried about or save the scholarships  
4 that are funded by our lottery. Everybody needs this stuff to  
5 stay competitive. I think that's at-risk behavior.

6 CHAIRPERSON JAMES: Does that mean the country is at  
7 risk?

8 COMMISSIONER LEONE: I very much believe that.

9 COMMISSIONER LOESCHER: Madam Chairman, I think it's  
10 kind of an interesting discussion. I kind of wonder about what  
11 you're saying. We live in America, and we believe in free  
12 enterprise. I kind of want to juxtapose your comments against a  
13 market-driven basis of doing business.

14 I'm intrigued by the horse and the dog people coming  
15 here saying: Well, you know, we're kind of sliding in our  
16 industry, but it's a part of the culture of America. And we  
17 really need to preserve the horses and the dog program. And we  
18 need to add these gaming things.

19 I wonder about that. You know, I think they plead the  
20 case that we should be allowed to negotiate with our state  
21 legislatures and governors to make that happen and not have  
22 federal intervention.

23 I think that's interesting, too. But my real point is  
24 that the issue of gaming in a holistic way probably should be on  
25 a market-driven basis. And in time, the American public will  
26 provide its own equilibrium as to how gaming will finally end up  
27 in America.

1           Maybe things like horse racing and dog racing and  
2 whatnot will diminish over time and be a minor part of the  
3 culture and maintain its integrity from where it started, rather  
4 than adding on this new dimension.

5           I kind of want to juxtapose that kind of thinking on  
6 the market-driven basis concept.

7           COMMISSIONER LEONE: There is no doubt that if one does  
8 an economic analysis without any concern for the negative  
9 externalities, that one would say if the horse-racing business or  
10 if casinos on Native American reservations disappear because  
11 we're going to permit them everywhere and let the market decide  
12 where they will be and what they have, that's a good thing. That  
13 means more competition, more choice, people have a greater  
14 selection in which to make their choices about what satisfactions  
15 they want to have.

16           It turns out, as a matter of fact, that horse racing is  
17 probably more expensive per gambling unit than anything else  
18 because it costs a lot to support a horse and they can't run  
19 every 15 seconds.

20           You know, the early Middle Ages basically in Europe is  
21 a society characterized by everything being mobilized to support  
22 mounted horsemen. It takes that many resources. It still takes  
23 a lot in the context of gambling. It would never be sustainable  
24 unless we were operating under artificial economics of scarcity.

25           There is a rational line of argument that would say  
26 that should disappear. But then it disappears. Then gambling

1 looks like maybe bars, maybe restaurants, health codes, maybe  
2 something a little bit more restrictive.

3 I don't think there's anybody on this Commission who is  
4 in favor of eliminating the restrictions on gambling. A few  
5 people testified before us. And one can make a case for it. And  
6 the case is often made because any form of government  
7 intervention in the long run will cause more problems than simply  
8 letting the market work it out. I mean, by that standard, people  
9 who have problems gambling will lose all their money and cease to  
10 be a problem because they can't gamble anymore.

11 We start with the premise, I think all nine of us, that  
12 there need to be some restrictions. That forces us to start to  
13 think about: Where are we going to make the exceptions? What is  
14 important enough to be excepted from this?

15 And I would not like to see our report -- and I will  
16 say this now -- turn into a report that simply identifies the  
17 fact that there is one particular externality, a medical problem,  
18 produced and that if we address that problem, we have addressed  
19 the public policy issues in gambling.

20 The public policy issues in gambling exist because of  
21 the externalities that are produced by this activity that are not  
22 built into the price, for one thing. And they also exist because  
23 we believe we want to have some restrictions on it.

24 Some of us believe in more restrictions than others.  
25 So when we come to framing the final report, we're going to have  
26 to justify why we have restrictions and why we view the world in

1 a way that says there are some exceptions to the restrictions or  
2 some are more important than others.

3 And this group has a perfectly rational basis for the  
4 exception they want that part of it's historical, they've had  
5 these rights, part of it is competitive, they need to do certain  
6 things technology has created. So they want to be accepted on  
7 the ban, the wire act ban. And some parts of the industry want  
8 to have slot machines because they need it for competitive.

9 Those are perfectly rational things, but this is not  
10 simply economics or social policy. What makes this difficult is  
11 that it is always both, always both.

12 And what we've got to deal with here is whether we're  
13 letting economics drive the social policy and the public policy.  
14 If we are, then we are on the slippery slope to what Bob  
15 proposes, something where we'll let the market figure out where  
16 there will be gambling and who makes money at it.

17 Maybe that is where this country is going. I don't  
18 know. But that is the framework in which this issue has come up.

19 COMMISSIONER LANNI: Richard, what social policy  
20 doesn't have economic effects? I can't think of one.

21 COMMISSIONER LEONE: I can't either, no. I wouldn't be  
22 arguing that. I'm just arguing that you can't say this will all  
23 be worked out by the market.

24 COMMISSIONER LANNI: No. I understand. I thought you  
25 were just --

26 COMMISSIONER LEONE: We're not prepared for that, I  
27 don't think.

1           CHAIRPERSON JAMES:   John?

2           COMMISSIONER WILHELM:   As usual, Richard's comments are  
3 extremely thought-provoking and useful.   There's a whole lot here  
4 that I really hope we get a chance to kick around at some point.

5           As an example, Richard's recent memo responding to the  
6 Rhodes report asserted, if I read it right, that because we don't  
7 know what the economics of the so-called externalities of gaming  
8 are, therefore, we can't argue that there are any economic  
9 benefits, which is thought-provoking, at a minimum.

10           On this particular point of whether there ought to be a  
11 federal policy, I think this is an extremely difficult issue.   We  
12 do have a bias in our system toward state and local regulation of  
13 many things, including, but not limited to, gambling.

14           And I do understand the notion that:   Well, you know,  
15 it's a complicated problem.   And, indeed, Richard is quite right  
16 that jurisdictions sort of chase one another and want to keep the  
17 money in their own state and so forth.   That's one of the things  
18 that propels expansion.

19           If I were to speak strictly from the point of view of  
20 the self-interests of the labor organization of which I'm the  
21 president, I'd be for a freeze of everything because the bulk of  
22 what is there is unionized.

23           But I'm troubled by the implications of trying to get  
24 at the problem Richard describes by national legislation, as he  
25 appears to be recommending.

26           I mean, just as an example, if there was a national  
27 legislation like that ten years ago, then Nevada and New Jersey

1 would be in a position of saying to Mississippi: Well, you can't  
2 use this form of economic development.

3 Now, Mississippi in its wisdom chose to become what is  
4 now the third largest casino state in the country in terms of  
5 revenue. And even though they probably would have been happy to  
6 say, "Mississippi, you can't do that, I don't quite know how  
7 Nevada and New Jersey --

8 COMMISSIONER LEONE: I wasn't suggesting that this  
9 would have geographical restrictions. Let me ask that while you  
10 can react to any part of what I said, don't extrapolate from it  
11 what I would recommend.

12 COMMISSIONER WILHELM: I didn't.

13 COMMISSIONER LEONE: I said I have some ideas, but I  
14 didn't say what they were. And they wouldn't be ideas that said  
15 one state can have it and another state can't, X or Y or Z. That  
16 would not be national legislation that made any sense, frankly.

17 COMMISSIONER WILHELM: Well, Richard, I try to listen  
18 very carefully to what you say. And if I miss the point, I  
19 apologize in advance.

20 We have the phenomenon of the California tribes saying,  
21 quite rightly: Hey, we ought to have the right to pursue gaming  
22 under existing law. And then we have some people in Nevada  
23 saying, in effect: Well, we don't want you to do that. It's  
24 sort of the last drawbridge kind of a thing.

25 So I recognize the validity of the worry about  
26 leapfrogging. I think leapfrogging is one of the principal  
27 things driving the expansion of gambling, but I will be

1 interested to hear the further arguments, in addition to the ones  
2 just proffered in favor of a national legislative solution to  
3 that because it's very hard for me to see how that's either  
4 equitable or workable.

5 Again, in terms of the self-interests of my own  
6 organization, I would be delighted. We would just freeze  
7 everything. It would be great. I don't know how that works,  
8 either from a practical point of view or from an equity point of  
9 view, but I will look forward to further explication of that.

10 CHAIRPERSON JAMES: Well, perhaps we can all ponder  
11 that at lunch. What do you think?

12 COMMISSIONER LEONE: Good idea.

13 CHAIRPERSON JAMES: Having said that, I want to thank  
14 our panelists and having recognized that our discussion has  
15 encompassed more than just your particular industry. And thank  
16 you for your patience as we struggle with some of these issues.

17 Listen carefully because if you don't, you may miss.  
18 I'm going to exercise a little prerogative this afternoon with  
19 the schedule. I want to make sure that our next panel that comes  
20 up -- it's now approximately 12:35. I am going to suggest that  
21 we get back together at 1:45 to give us a little bit of time to  
22 get to lunch, have something to eat, and get back in this room.  
23 And I will be looking at our calendar, the schedule for this  
24 afternoon to see how we can make up some of that time.

25 So let's get back together at 1:45. And thank you.

26 CHAIRPERSON JAMES: I'd like to make note of the fact  
27 that as we have engaged in our conversation/discussion this

1 morning that many, if not all, of the issues are being covered as  
2 we work through our agenda.

3 I would note, however, that we had hoped to have a  
4 presentation from the International Association of Chiefs of  
5 Police and the National Association of Attorneys General. They  
6 were invited but, for a variety of reasons, declined to come. So  
7 we really don't have any recommendations to discuss from them.

8 Those issues are being handled in our Research  
9 Subcommittee. And I just talked to our Chair. He assures me  
10 that they are moving forward on that and will be discussing those  
11 issues at length.